Cheating by M/s Binani zinc Ltd., Kolkata

*504. SHRI BHAGATRAM MANHAR : †

SHRI RAJU PARMAR :

Will the Minister of FINANCE be pleased to State :

(a) whether Government are aware that M/s Binani Zinc Limited, 38, Strand Road, Kolkata has cheated several thousand investors;

(b) if so, what are the details of complaints received by SEBI against this company; and

(c) what action has been taken or is proposed to be taken against the above company for cheating, forgery and misappropriation of public funds ?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA) : (a) to (c) A statement is laid on the Table of the House.

Statement

(a) and (b) SEBI has intimated that they had received complaints regarding price rise in the case of Binani Zinc Ltd. in the year 1995. The price rise was observed during August 1994—March 1995. The matter was referred to the stock exchanges as it was stated that the rise in the price of the scrip was due to the lack of floating stock of the company in terms of number of shares. However, as alleged in the complaint, there was no indication that the company had held the shares received from the shareholders for sub-division for unduly long period, except in very few cases which was due to procedural delay.

(c) SEBI has intimated that they have neither taken nor are contemplating any action against the company.

SHRI BHAGATRAM MANHAR : Mr. Chairman, Sir, M/s. Binani Zinc Limited, Kolkata had invited applications from the public for their equity shares on the 21st February, 1995 at a price of Rs. 10 per share, with a premium of Rs. 220 per share. Sir, if you see the trade record of this company, their share price never increased to more than Rs. 50 per share. I would like to know from the hon. Minister, what were the circumstances—when Rs. 10 per share of the above company was being traded in January, 1995 at around Rs. 50 per share— which led the company to offer its share at a premium of Rs. 220 ? How was it allowed by the SEBI ?

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†The question was actually asked on the floor of the House by Shri Bhagatram Manhar.

SHRI YASHWANT SINHA : Mr. Chairman, Sir, as the Hon. Member himself has pointed out, this matter relates to the year 1995. According to the information which has been supplied to me by the Securities and Exchange Board of India, "A price rise in the scrip was noticed during the period August, 1994 to March, 1995. The SEBI referred the matter to the Stock Exchanges. It was stated that the rise in the price of the scrip was due to lack of floating stock of the company in terms of the number of shares. However, contrary to what was alleged in the complaint, according to SEBI there was no indication that the company has held the shares for unduly long period received from shareholders for sub-division except in very few cases which was due to procedural delays. The price rise in the scrip was prior to the notification of the SEBI, namely, the notification relating to prohibition of fraudulent and unfair trade practices relating to Securities Market Regulation, 1995." This is the reply that we have got from the SEBI. As far as this is concerned, the matter was inquired into and then there was no sufficient reason to proceed with the matter.

SHRI BHAGATRAM MANHAR : My second question is about the insider trading by the company through fictitious and bogus firms. After the issue of equity shares of Rs. 10 at a premium of Rs. 220 per share, aggregating to Rs. 230 crores, the company further indulged in insider trading and the market price was brought to Rs. 325 per share. Sir, the small investors were the victims of this insider trading and they lost crores of rupees due to the artificial trading whereas bogus firms floated by M/s Binani Zinc Ltd. were benefited. My question is whether the SEBI had received complaints in this regard and if so, what action has been taken against the company ?

SHRI YASHWANT SINHA : Mr. Chairman, Sir, as I have already pointed out, this matter relates to the year 1994-95. According to my information, M/s Binani Zinc Ltd. had entered the capital market on February 21, 1995, for raising Rs. 230 crores from the public at a premium of Rs. 220 per share. There were complaints received by the SEBI. The SEBI looked into the complaints along with the Stock Exchanges were these scrips were traded. There might have been variations in the price. But according to my information, no unfair practice was noticed for the SEBI to take action against the company.

SHRI RAJU PARMAR : Sir, it is a well established practice that companies are allowed to raise equity only if their track record, performance and regularity of payment of dividend are good. But, in the case of this company, the SEBI and

other regulators, in connivance with the Calcutta Stock Exchange, allowed it to raise equity without verifying the details of the company, resulting in the loss of crores of rupees of the small investors. Sir, I would like to ask the Minister whether any surveillance group has been formed to look into the insider trading of this company.

SHRI YASHWANT SINHA : Sir, as I have already stated, this matter was looked into by the SEBI in the period subsequent to 1995, when this was raised, this capital was raised, in consultation with the Stock Exchange. This is the information which has been given to me. On that basis, as I have said, they did not find reasons to proceed against the company. Now, Sir, as I have mentioned, this matter relates to the period 1994-95. If any further information is made available to me, I will be quite prepared to ask the SEBI to look into those complaints. But, at the moment, Sir, when I got this question, let me honestly admit before this House, I tried my best to get in touch with all the agencies which deal with this matter, including the Reserve Bank of India, including the Department of Company Affairs and I have drawn a blank except for the information which the SEBI has given relating to the issue of shares in February, 1995. As I have said, if any further information is shared with me, I will certainly have it looked into.

SHRI K. M. SAIFULLAH : Sir, earlier, the Finance Minister has said in this House that there were cases of non-payment of taxes by big Ministers, industries, ex-MPs and MPs. I want to know from the Minister whether those cases were disposed of or whether they have returned their funds.

SHRI YASHWANT SINHA : It is not related to this question, Sir.

SHRI K. M. SAIFULLAH : I am sorry, Sir.

MR. CHAIRMAN : Your question pertains to Question No. 503. That has not been taken up.

Now, Question No. 505.